



Retirees Surveys & Studies

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Retired State, County & Municipal Employees Association

- Founded in 1968 to provide a voice to Massachusetts Public Retirees and surviving spouses
- Currently Represent Over 62,000 Retirees & Survivors
- Advocates for Pension and Healthcare Benefits



RSCMEA Healthcare Cost Efforts Over the Past Two Decades

- **1993:** Major Proponent of Municipal Healthcare Reform, Which Created Coalition Bargaining Under Section 19
- **Since 1999:** Promoted Option of Joint Purchasing Groups (Insurance Pools)
- **2004:** First Reported on GASB
- **2005:** Filed Legislation Creating OPEB Trust Funds at State & Local Levels, Eventually Enacted in '08 as new Section 20 of Chapter 32B
- **2007-08:** Participated in Hamill Commission, Which Amended Section 19 with Expanded Access into GIC Using Coalition Bargaining
- **2009:** Participated in the Munnell/Diamond Commission on Pension Reform, During Which Retiree Healthcare Reform Was Also Examined.



RSCMEA Healthcare Cost Efforts Over the Past Two Decades Continued

- **2011:** Played Key Role in Formulation of Municipal Healthcare Reform and Pension Reform Laws
- **2012:** Ongoing Role; Appointed Over 160 PEC Designees, Providing Technical and Logistical Support Daily



Public Employee Committee (PEC)

- **Key Component of Coalition Bargaining:**
Originally Created in 1993 as an option to replace collective bargaining for healthcare benefits by individual unions
- **Hamill Commission:** Amended Section 19 in 2008
Creating Greater Municipal Access to the GIC
- Provides Representation Through the PEC to Individual Unions & Retirees that Collectively Bargain Over Healthcare

Municipal Landscape

- Number of Cities & Towns: 351
- Other Political Subdivisions: approx 300
 - Including:
 - Regional School Districts & Education Collaboratives
 - Counties
 - Other Units
- Total Entities: over 600



Number of PEC Designees

- Section 19 (Coalition Bargaining): 30
- Sections 21-23 (Municipal Insurance Reform – Chapter 69, Acts 2012): 133
- Special Legislation (Lawrence): 1
- Total PEC Designees: 164
- Pending PEC Designation: 50
- No Request for Designee: over 400



Number of Agreements

- **Section 19:** 39
- **Section 22:** 27
- **Section 23:** 8
- **Special Legislation:** 1
- Remaining Subdivisions With No Agreement: 139
- Majority of Municipalities and Other Subdivisions Have Not Reached an Agreement
- Over 400 Have Not Initiated Process*

*Awaiting A&F Report on Municipal Activity

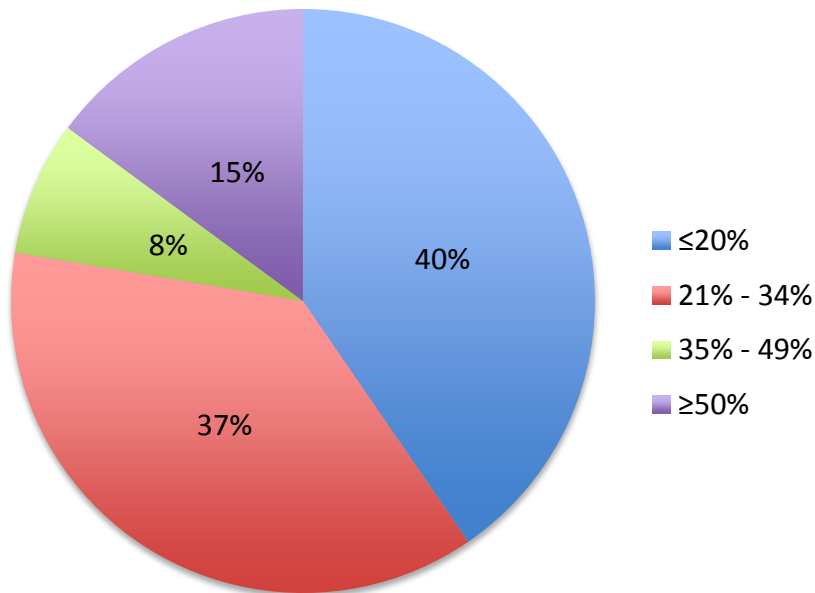


Municipal Premium Contribution Ratio Survey

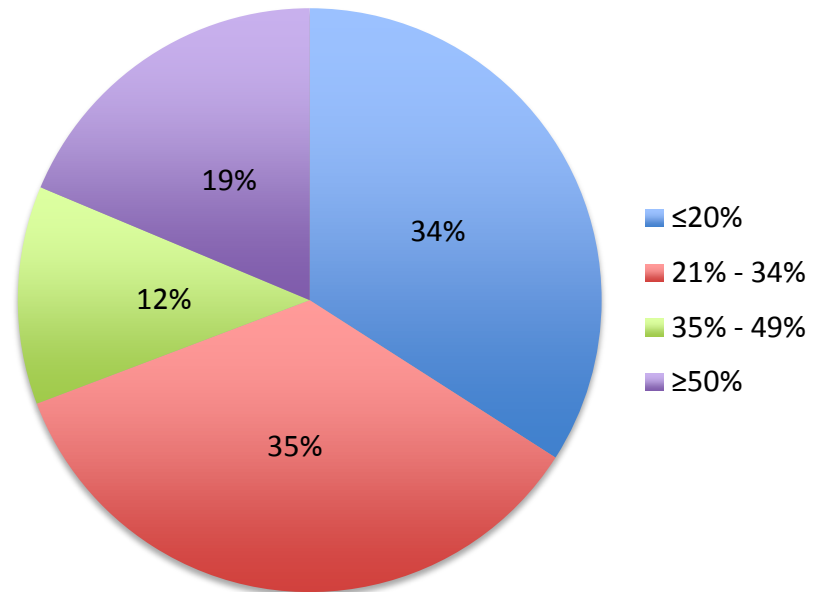
- Data Were First Collected in June 2011 by Contacting then Current PEC Designees & Town Officials
- Additional Data Were Collected in April & May of 2012 by Contacting New PEC Designees
- Data Collection Continues to Date

Municipal Survivor Contribution Ratios

Survivor HMO Contribution Rates



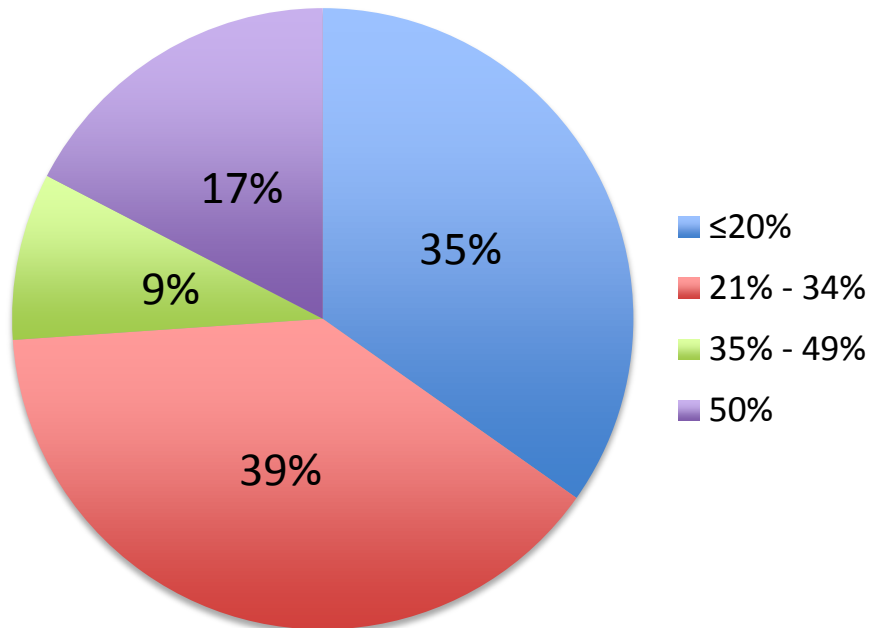
Survivor PPO Contribution Ratios



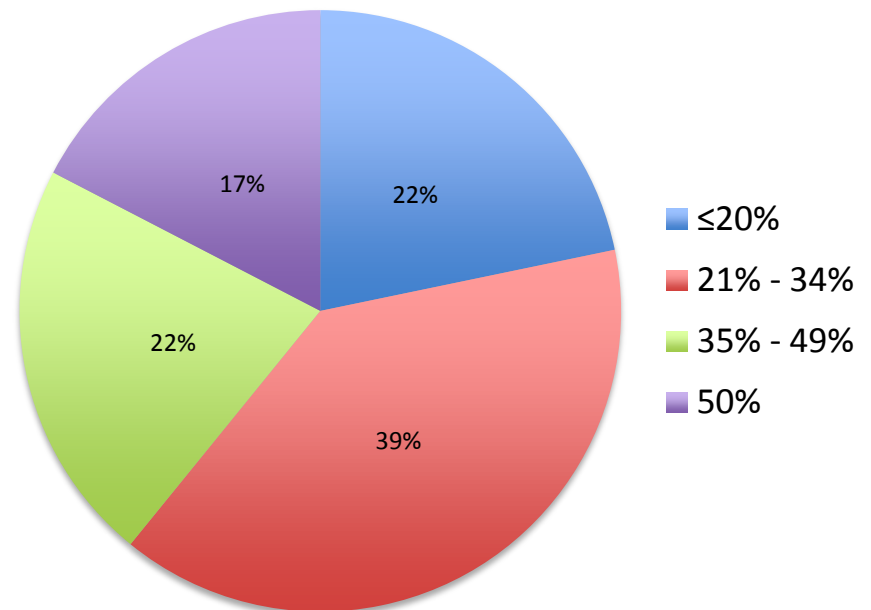
Note: The Towns of Chilmark, Dalton, Holliston and Wilbraham Require Survivors to Pay 100% of the Premium Cost. The Towns of Ashby, Blackstone and Manchester Do Not Provide Health Care Coverage for Survivors.

Medicare Retiree & Survivor Premium Contribution Ratios

**Medicare Retiree & Survivor
HMO Contribution Ratios**



**Medicare Retiree & Survivor
PPO Contribution Ratios**



Mandatory Medicare

- **Survey Methodology:** Telephone and email survey of town officials. Conducted in 2007, updated initially in 2009. Currently updating and expanding findings
- **Target Group:** Municipalities. Originally town officials, currently contacting local PEC designees



Municipal Mandatory Medicare Survey

- **2009 Findings**

- 339 Municipalities Contacted Regarding Requiring Medicare Part B for all Medicare Eligible Retirees
- 291 Municipalities Responded
 - 216 Municipalities Required Medicare Eligible Retirees to Enroll in Medicare Part B
 - 75 Municipalities Did Not Require Medicare Eligible Retirees to Enroll in Medicare Part B

- **2012 Preliminary Findings**

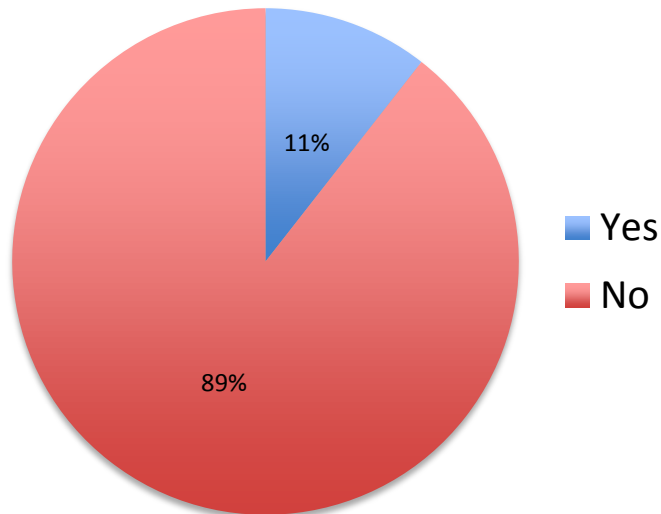
- 75 Municipalities that Did Not Require Medicare Part B were Contacted (# 33 contacted with 23 responses to date)
 - 19 Require Medicare Eligible Retirees to Enroll in Medicare Part B
 - 2 Did Not Require Medicare Eligible Retirees to Enroll in Medicare Part B
 - 2 Do Not Provide Retiree Healthcare*

*Have Not Accepted Chapter 32B



Municipal Medicare Part B Cost & Reimbursement

Medicare Part B Refund



Eighty-Nine (89%) percent of the Responding Municipalities Provide NO Part B Refund

- Local Retirees Currently Pay \$99.90 per person per month for Medicare Part B.
- An Individual Currently Pays \$1,198.80 per year for Medicare Part B.
- A Couple Currently Pays \$2,397.60 per year for Medicare Part B.
- This is in Addition to the Monthly Premium Paid for Their Medicare Supplement Plan Through Their Political Subdivision.

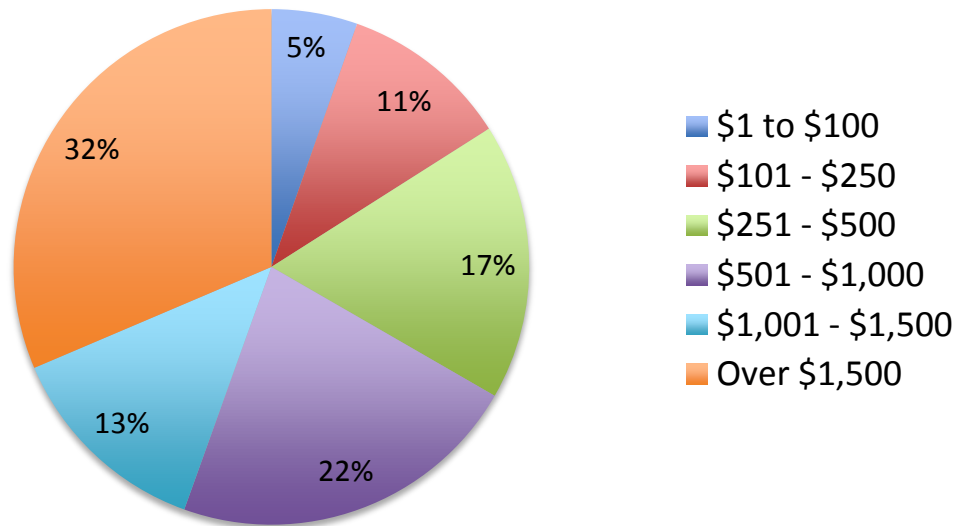
Municipal Retiree Out of Pocket Expenses

- **Survey Methodology:** Conducted first quarter 2011. Note that survey was completed prior to Chapter 69 and the majority of Chapter 69 changes, particularly plan design, effective this July 1.
- **Target Group:** Association members surveyed using an email questionnaire



Municipal Out of Pocket Medical Expenses

2010 Prescription & Health Insurance Expenses



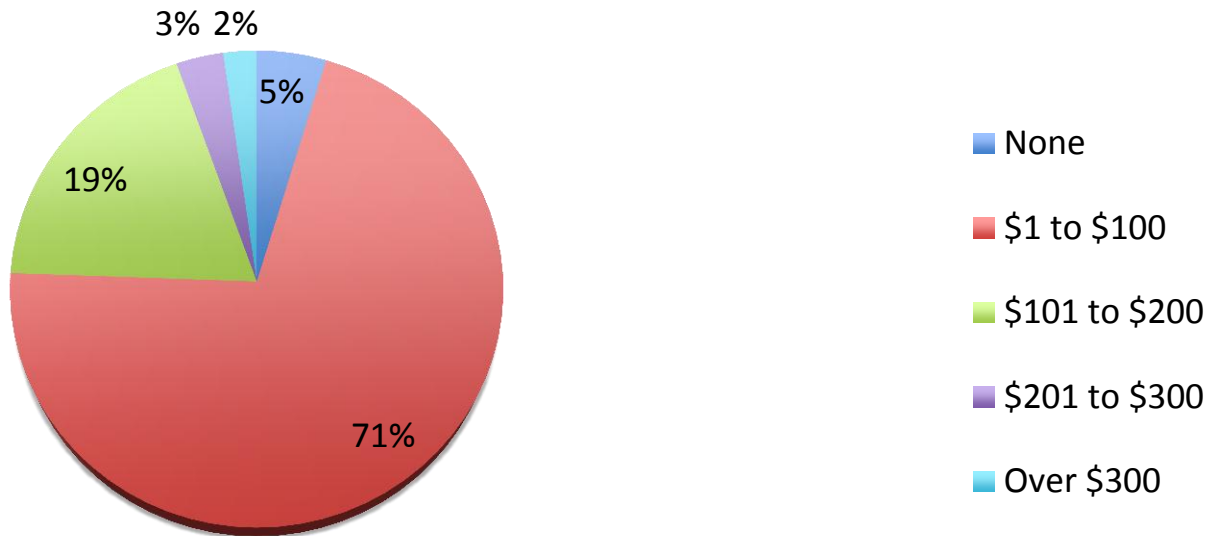
- Thirty-two (32%) percent spent over \$1,500 during 2010 on prescription drug and other insurance copayments.

- Sixty-seven (67%) percent spent over \$500 during 2010 on prescription drug and other insurance copayments.

- According to the GLC, average out of pocket expenses per enrollee was \$1,020 in FY2010

Municipal Prescriptions Costs

Monthly Prescription Copayment Costs



Twenty-Four (24%) percent spend more than \$100 monthly on prescription drug copayments.



State Retiree Demographics

	Superannuation	Ordinary Disability	Accidental Disability	Survivors	Total
Number of Members	44,178	644	3,129	6,593	54,544
Average Age	72.0	65.0	62.9	75.4	71.8
Average Annual Benefit	\$28,958	\$17,864	\$35,066	\$14,445	\$27,423

Source: Public Employee Retirement Administration Commission: State Retirement System, Actuarial Valuation Report (January 1, 2012)

State Retiree Demographics: Benefit By Age Distributions

Present Age	Number of Members	Average Benefits
Less Than 40	122	\$24,903
40-44	396	\$31,352
45-49	976	\$31,078
50-54	1,723	\$29,363
55-59	3,791	\$28,469
60-64	8,230	\$32,123
65-69	10,370	\$31,996
70-74	8,078	\$29,446
75-79	7,219	\$26,122
80-84	6,340	\$22,435
85-89	4,681	\$18,940
90+	2,618	\$14,491
Totals	54,544	\$27,423

Source: Public Employee Retirement
Administration Commission: State
Retirement System, Actuarial
Valuation Report (January 1, 2012)

Teacher Retiree Demographics

	Superannuation	Ordinary Disability	Accidental Disability	Survivors	Total
Number of Members	51,363	424	313	3,590	54,544
Average Age	70.1	67.4	69.3	72.3	70.2
Average Annual Benefit	\$39,888	\$19,401	\$35,223	\$18,186	\$38,307

Source: Public Employee Retirement Administration Commission: State Retirement System, Actuarial Valuation Report (January 1, 2011)

Note: Retired Boston Teachers Are Members of the City of Boston Retirement System and not Included in the Above Statistics.

Teacher Retiree Demographics: Benefit By Age Distributions

Present Age	Number of Members	Average Benefits
Less Than 40	96	\$23,838
40-44	44	\$14,729
45-49	75	\$17,983
50-54	182	\$21,115
55-59	3,814	\$45,119
60-64	15,317	\$46,988
65-69	12,861	\$42,587
70-74	7,945	\$35,984
75-79	6,296	\$30,989
80-84	4,734	\$25,445
85-89	2,716	\$20,817
90+	1,610	\$17,175
Totals	55,690	\$38,307

Source: Public Employee Retirement Administration Commission: Massachusetts Teachers' Retirement System, Actuarial Valuation Report (January 1, 2011)

Note: Retired Boston Teachers Are Members of the City of Boston Retirement System and not Included in the Above Statistics.

Local Retiree Demographics

- The Average Local Pension in the Commonwealth is \$21,900
 - Based on Local Retirement System Valuations and Discussions with PERAC Actuary



Local Retirees & Survivors

- Plan Design
 - Framingham
 - Clinton
- Joined GIC
 - Monson
 - Salem



Plan Design: Framingham

- **Superannuation Retiree**
 - Average Monthly Pension: \$1,732
 - **Non Medicare (PPO Ratio: 75/25)**
 - Retiree Monthly Premium: \$309
 - Average Monthly Total *: \$394
 - **Per Cent of Pension 23%**
 - **Medicare (Medex Ratio: 75/25)**
 - Retiree Monthly Premium: \$113
 - Part B Premium \$99.90
 - Average Monthly Total*: \$297.90
 - **Per Cent of Pension 17%**
- **Survivor**
 - Average Monthly: \$1,304
 - **Non Medicare (PPO Ratio: 75/25)**
 - Survivor Monthly Premium: \$309
 - Average Monthly Total*: \$394
 - **Per Cent of Pension 30%**
 - **Medicare (Medex Ratio: 75/25)**
 - Survivor Monthly Premium: \$113
 - Part B Premium \$99.90
 - Average Monthly Total*: \$297.90
 - **Per Cent of Pension 23%**
- *Includes \$85 Monthly in Out-of-Pocket (Based on GIC FY'10 Study)

Plan Design: Clinton

- **Superannuation Retiree**
 - Average Monthly: \$1,485
 - **Non Medicare (PPO Ratio; 60/40)**
 - Retiree Monthly Premium: \$617
 - Average Monthly Total*: \$702
 - **Per Cent of Pension 47%**
 - **Non Medicare (HMO Ratio; 60/40)**
 - Retiree Monthly Premium: \$245
 - Average Monthly Total*: \$330
 - **Per Cent of Pension 22%**
 - **Survivor**
 - Average Monthly: \$1,213
 - **Non Medicare (PPO Ratio: 60/40)**
 - Retiree Monthly Premium: \$617
 - Average Monthly Total*: \$702
 - **Per Cent of Pension 58%**
 - **Non Medicare (HMO Ratio: 60/40)**
 - Retiree Monthly Premium: \$245
 - Part B Premium \$99.90
 - Average Monthly Total*: \$429.90
 - **Per Cent of Pension 35.4%**
- *Includes \$85 Monthly in Out-of-Pocket (Based on GIC FY'10 Study)

GIC Community: Monson

- **Superannuation Retiree (Ratio: 50/50)**
 - Average Monthly Pension: \$929.99
- **Non Medicare**
 - Retiree Monthly Premium: \$300.18
 - Average Monthly Total *: \$385
- **Per Cent of Pension 41%**
- **Medicare**
 - Retiree Monthly Premium: \$186
 - Part B Premium \$99.90
 - Average Monthly Total*: \$370.90
- **Per Cent of Pension 39.8%**
- **Survivor (Ratio: 50/50)**
 - Average Monthly: \$678
- **Non Medicare**
 - Survivor Monthly Premium: \$300.18
 - Average Monthly Total: \$385
- **Per Cent of Pension 57%**
- **Medicare**
 - Survivor Monthly Premium: \$186
 - Part B Premium \$99.90
 - Average Monthly Total*: \$370.90
- **Per Cent of Pension 55%**

*Includes \$85 Monthly in Out-of-Pocket (Based on GIC FY'10 Study)

GIC Community: Salem

- **Superannuation Retiree (Ratio: 70/30)**
 - Average Monthly: \$1,621
- **Non Medicare**
 - Retiree Monthly Premium: \$180
 - Average Monthly Total*: \$265
- **Per Cent of Pension 16%**
- **Medicare**
 - Retiree Monthly Premium: \$131
 - Part B Premium \$99.90
 - Average Monthly Total*: \$315.90
- **Per Cent of Pension 19.5%**

- **Survivor (Ratio: 50/50)**
 - Average Monthly: \$1,068
 - (Source: Salem Retirement System)
 - **Non Medicare**
 - Retiree Monthly Premium: \$300
 - Average Monthly Total*: \$385
 - **Per Cent of Pension 36%**
 - **Medicare**
 - Retiree Monthly Premium: \$187
 - Part B Premium \$99.90
 - Average Monthly Total*: \$371.90
 - **Per Cent of Pension 34.8%**
- *Includes \$85 Monthly in Out-of-Pocket (Based on GIC FY'10 Study)

Municipal Healthcare Reform

- Chapter 69, Acts of 2012
- Local Option Allowing For Greater Municipal Control Over Health Care Plan Design or The Decision to Join GLC
- Municipalities Allowed to Increase Copays & Deductibles to Level of GLC
- Estimated to Save Over \$117 Million in FY13*

* State House News Service, 5/24/12



Long-Term Impact of Pension Reform

- Chapter 176, Acts of 2011
- Impacts New Employees Hired After 4/1/12
- Increased Minimum Retirement Age For All Groups of Public Employees
- Decreased Pension Benefits For Those Retiring Prior to Reaching Maximum Age Factor
- Will Lower Costs Associated With Pre-65 Retirees



Medicare Pioneer ACO Initiative

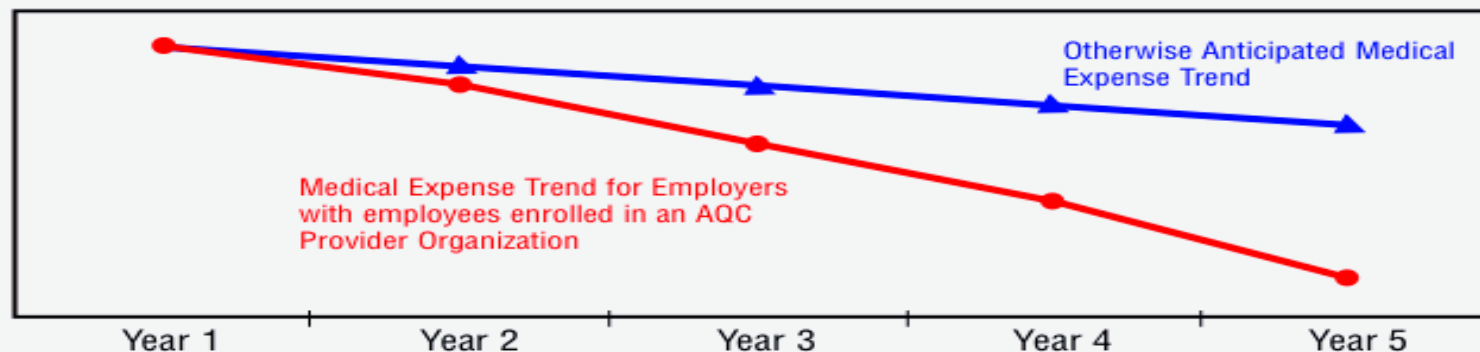
- Created Under Affordable Care Act
- Pilot Program Aimed At Reducing Medicare Costs and Lowering Medical Inflation
- Five Massachusetts Accountable Care Organizations Chosen As Part of Pioneer Program
- 2013-2014 Changes In Approach to Care Delivery
- 2015 and Beyond: Implementation of New Global or Bundled Payment Model



Blue Cross Blue Shield AQC (Alternative Quality Contracts)

- Blue Cross Blue Shield Provides Health Insurance to over 80% of Municipalities
- Implemented in 2009 for Blue Cross Non-Medicare HMO Plan
- Contracts with Physicians and Hospitals
 - Approximately 76% of PCPs have signed contracts
- Projected to reduce medical expense trend by 50% within first 5 years

Medical Expense Trend Comparison



Employers realize lower trend increases over time as the rate of increase in provider revenue slows

Overall, the impact of the Alternative Contract is expected to reduce the Otherwise Anticipated Trend by half

House/Senate Healthcare Cost Control and Payment Reform Legislation

- Governor, House and Senate Each Have Proposed Healthcare Spending Reduction
- Similar Proposals Now Exist Before House and Senate
- Reportedly Would Reduce Healthcare Spending by \$165 Billion Over Fourteen Years
- Significantly Reduces Medical Inflation

Conclusions

- Municipal Healthcare Reform Not Fully Implemented and Needs More Time to Work
- Local Retirees & Survivors Already Shouldering Substantial Healthcare Costs
- Most Retirees & Survivors Receive Very Modest Pension Benefits
- Pension Changes Will Naturally Lower Long-Term Insurance Costs
- Federal, State and Private Sector Cost Control Measures Only Beginning

